

# 2014 NADA/J.D. Power Western Automotive Conference - Jim Lentz

November 18, 2014

Image not found or type unknown



*As prepared for:*

*2014 2014 NADA/J.D. Power Western Automotive Conference*

*Los Angeles*

*Nov. 18, 2014*

*Jim Lentz, CEO, Toyota North America*

*Introduction: Peter K. Welch, President, National Automobile Dealers Association*

Thank you, Peter.

When I was a teenager, “connectivity” in a car meant four tires with good tread...a radio with tuning knobs to find my favorite rock stations...and holding my then-girlfriend Barb’s hand on our dates.

Today, connectivity is a little different.

My Prius with Entune lets me buy movie tickets...it suggests the best traffic routes...provides access to hundreds of crystal-clear satellite radio stations... and much more.

So, a LOT has changed... but some things haven’t. Barb and I have been married for 37 years...and next month...we’ll become new grandparents.

As for connectivity... these days automakers are going beyond the in-car experience using an array of social and digital marketing tools to connect with customers, especially Gen Y...also known as the Millennials.

But, are these efforts working? As you’ll see in a moment, Gen Y is maturing into one of the largest purchasers of new vehicles.

Yet just two years ago, the conventional wisdom was that Millennials didn’t even want to own cars.

For instance, a Time magazine article quoted two industry analysts, who said:

- “Gen Y doesn’t seem particularly interested in car ownership”...and...
- “Owning any car, in fact, is considered “uncool” among many Millennials.”

Of course, Gen Y was hit hard by the recession, which began as the first wave were graduating from college and entering the job market. And for many, the recession, debt and unemployment compounded to create a negative effect on their ability to purchase a new vehicle.

Today’s Millennials spend an average of 47 percent of their paychecks to pay down debt, including student loans, credit cards and mortgages.

And more than 80 percent of this spring’s college graduates did not have jobs lined up when they received their diplomas.

But as sales figures demonstrate...these downward trends haven’t suppressed Gen Y’s desire or need to purchase cars...especially as they age and experience significant lifestyle changes.

In the past five years... Millennials have been buying cars at a rapid pace.

From 2009 to 2012, vehicle sales to those born after 1980 more than doubled to 2.5 million. Sales increased another 20 percent the past two years...and are expected to climb 10 percent this year to 3.5 million vehicles.

And that's not all.

Gen Y currently accounts for 26 percent of new-car sales...and by 2020, that figure is expected to reach 40 percent.

That's a 14-point spike in just the next 6 years!

So as an industry...we MUST listen to their needs...and engage with Millennials on their level – through technology... which has radically changed how this generation communicates and approaches the retail shopping process.

Let me give you some examples.

- 59 percent of Millennials own a Twitter account, nearly twice that of Baby Boomers...
- While 43 percent share photos and videos on Instagram... making it the nation's second largest social media app. In fact...51 percent of the Class of 2014 share content on Instagram every day.
- And consider the unique marketing opportunities offered by Pinterest,

with its 53 million active monthly users...

- 47 percent of these users are Millennials...
- 80 percent of Pinterest users are women...
- And nearly half have purchased an item online after viewing it on the site...a higher rate than both Twitter and Facebook.

Millennials constantly use these and other social media channels to share experiences and content with their peers...accessing social media on their phones an average of 43 times a day.

And...when it comes to purchasing cars, Gen Y is just as tech savvy.

- 95 percent use the Internet to shop for cars...compared to 79 percent of all buyers combined...
- And...they spend nearly 18 hours online to research their next vehicle.

But here's an important statistic – Millennials **STILL** want to visit dealerships before making the purchase.

In fact...

- 63 percent of those under the age of 35 visit two or more dealerships prior to purchasing a vehicle...
- Compared to just 53 percent of those over age 35...

So we know Gen Y is fluent in technology...they've never known life without it...and they're willing to stay connected 24/7. And some maybe a bit...TOO willing.

- Believe it or not, 83 percent of Millennials actually SLEEP with their smartphones...
- While 40 percent admit to using social media in the bathroom. I'm glad my boys know when to text...and not to call.

So... how is the auto industry adapting to meet these shifting landscapes in technology and retail shopping?

At Toyota, we're connected to millions of our customers and followers who read and redistribute our social media content through more than 25 social media channels.

Our dealers also engage with customers through their own social media outlets...to quickly develop relationships and provide product information.

And we're working closely with our dealers and Toyota Financial Services...the industry's largest captive finance company...as we strive to constantly improve the purchase and finance process for our customers.

Another example is our Scion brand.

When we introduced Scion more than 10 years ago... we set out to:

- Attract the market's youngest buyers to our brand...
- And give them a purchase and ownership experience that reflects their generation's desires...

From the beginning, we found that the market's youngest customers didn't like spending hours upon hours in a dealership...haggling over numbers...and they viewed their time as a precious commodity.

So Scion introduced a transparent pricing program called Pure Price. Basically, the price customers see in the dealership, on the dealership's website or other dealer advertising is the price they pay. This applies to the vehicle, accessories, finance rates and insurance products.

And we've streamlined this pricing model to a new program called Pure Process Plus. Our customers can build their Scion...find the car they want at their dealer of choice...apply for credit...and secure a price...all without leaving their couch.

Across the industry it takes customers more than four hours in a dealership to complete a transaction...but nearly half of those who use Pure Process Plus spend only two hours to complete their sale.

That's a big step in the right direction ... and we're working to lower the transaction time even more for our customers.

So the car buying process must continue to evolve...using a variety of technology.

And while we prepare to meet Gen Y's expectations in technology...retail...and connectivity...we're also asking, "What types of vehicles do Millennials want to drive?"

As the first wave of Millennials enter their 30s...start families...and expand their lifestyles...many are trading in their smaller sedans for roomier SUVs and crossovers.

In fact, last year, 7.5 percent of Millennials indicated an interest in buying a small SUV, up 1 percent from five years ago. For larger SUVs, purchase intent was up nearly 2 percent.

With a generation this big...moving the needle just 1 percent... means the potential for selling A LOT of new cars and trucks.

In addition to crossovers and SUVs...Gen Y also wants great fuel economy and environmentally responsible cars.

Over half of U.S. Millennials say they expect to be driving an alternative powertrain vehicle within the next five years...and 65 percent say they're willing to pay more for these engines.

Toyota and Lexus brands have already sold over 2.1 million hybrids in the U.S., the most of any manufacturer. And next year...we'll bring to market our first zero-emission hydrogen fuel cell sedan.

Here's why I'm so excited about this car...

Our model will travel approximately 300 miles on a tank of hydrogen...takes about five minutes to fill...and has ZERO emissions...it emits only water vapor.

In addition to our fuel cell sedan, Toyota has developed an array of forward-thinking concept vehicles to address issues like population shifts...congestion...air pollution and safety.

These issues are of growing concern as our largest generation moves rapidly into urban areas.

- For instance... for the first time since the 1920s, growth inside U.S. cities is outpacing growth outside them.

As a result... a growing number of urban-dwelling Millennials... including 42 percent in the U.S., and 60 percent in China and India, say they're willing to use a car sharing service if it's convenient.

To better understand the scope of our world's future urban mobility needs... Toyota has partnered with the City of Grenoble, France to establish a car-sharing pilot program that uses our electric vehicles. Drivers can rent the three-wheel iRoad or the four-wheel COM for 15-minute increments, in an effort to integrate personal mobility with public transportation systems.

Let me show you the iRoad in action...

So the market has clearly spoken...and as an industry...we must continue to develop a range of alternative powertrains...such as hybrids and fuel cell vehicles...and alternative transportation solutions...like car-sharing...to meet the needs of our current and future customers.

In addition to exceeding our customers' expectations with our cars and trucks...Toyota's global vision calls on our team members and associates to make a positive difference in peoples' lives.

During my career with Toyota, I've learned that consumers want and expect more than great products and services from companies. They want to do business with companies who share their values...and are working to make the world a better place.

That's especially true with Gen Y.

According to the Brookings Institution, a non-profit public policy organization... 89 percent of Gen Ys expressed a stronger likelihood that they would buy from companies that supported solutions to specific social issues.

And...63 percent want their employer to contribute to social or ethical causes they feel are important.

One of the most exciting things about Toyota is what we do to improve the lives of people and communities across our country.

An example is the Toyota-sponsored Hiring Our Heroes program.

Through Hiring Our Heroes...Toyota forged a partnership with Sergeant Dakota Meyer – a Medal of Honor recipient and Millennial from Columbia, Kentucky – and the U.S. Chamber of Commerce Foundation...to help returning troops and veterans translate their military skills to civilian jobs.

I think you'll enjoy this video...

So far, Hiring Our Heroes has helped more than 585,000 veterans and military spouses find employment opportunities.

Abraham Lincoln once said, "The best way to predict the future...is to create it."

Across the industry...creating our future isn't something we all should TRY to do...it's something we all MUST do.

Our customer base is growing and their needs are different from prior generations.

That's why the auto industry is creating innovative, technology-based solutions that better connect customers to their vehicles. And when you look around at all the new offerings from every manufacturer at this year's auto show... you'll see an array of high quality and safe vehicles with cutting edge design features... as well as new mobility solutions like hydrogen fuel cells that meet tomorrow's transportation challenges.

It's evident that our industry is doing its part to create a better future. In fact...automakers represented nearly half of Boston Consulting Group's annual "Top 20 Most Innovative Companies" report last year...out-pacing technology firms for the FIRST time.

But we still have work to do.

As we plan for our long-term success, automakers must continue to work together... and challenge ourselves to do EVEN better...to meet the needs of our customers and society.

If we do that... I predict the future for all of us... our industry... and society will be indeed bright.

Thank you and all the best for the year.